

OPERATING GUIDELINES FOR REVOLVING LOAN FUNDS SEEDED BY STATE MINNESOTA INVESTMENT FUND AWARDS

A local unit of government may establish a Revolving Loan Fund (RLF) with funds from a variety of sources. The guidelines outlined in this document pertain only to a RLF seeded with funds received through the repayment of a loan provided from the state-funded Minnesota Investment Fund (MIF) or Economic Recovery Fund programs administered through the Department of Employment and Economic Development or its predecessors.

The local government must follow the RLF guidelines that were submitted with the initial MIF application and approved by your DEED Senior Loan Officer. Although the guidelines provide the policies and procedures for the reuse of these funds, the RLF policies and procedures must also adhere to the same requirements that are followed by the state's Minnesota Investment Fund program. In addition to the local government's underwriting criteria, the guidelines from Minn. Stat. 116J.8731 (some of which is summarized below) and from the Minnesota Business Subsidy Law (Minn. Stat. 116J. 993 and 116J.994) must be included in the policies and procedures

General Purposes and Guidelines for RLFs Seeded by the Minnesota Investment Fund

Purpose and Goals

The purpose of the RLF is to provide financial and technical assistance for the creation and retention of new employment. These objectives may be accomplished through the following means:

1. Create/retain permanent private sector jobs to fuel above-average economic growth consistent with environmental protection;
2. Investment in technology and equipment that increase productivity and provide for higher wages;
3. Leverage of private investment to ensure economic renewal and competitiveness;
4. Increase the local tax base to guarantee a diversified industry mix;
5. Improve the quality of existing jobs, based on increases in wages or improvements in the job duties, training, or education associated with those jobs;
6. Improve employment and economic opportunities and create a reasonable standard of living; and
7. Enhance productivity growth through improved manufacturing or new technologies.

One way to meet these objectives is to assist businesses that have location options outside Minnesota. These firms bring income into the state and raise the overall standard of living.

Eligible Expenditures

The MIF-seeded funds may be used in a variety of ways include example noted below. More information is available in Minn. Stat. 116J.8731 and through conversations with your loan officer.

1. Provide loans, loan guarantees, interest buy-downs, and other forms of participation, ensuring that RLF funds are matched by private financing.
2. Fund strategic investments in renewable energy market development. Any expenditure for external marketing for renewable energy market development is not subject to the matching requirements listed above.
3. Provide entrepreneurs with training, other technical assistance, and financial assistance as defined by federal guidelines.

Eligible Projects

Assistance must be evaluated on the existence of the following conditions as noted in Minn. Stat. 116J.8731:

1. Creation or retention of jobs, or the improvement of jobs as measured by wages, skills or knowledge;
2. Increase in the tax base;
3. Attraction of private funds to the project;
4. Incapacity of local communities and finance partners to finance project;
5. Results in higher wage levels or workforce skills;
6. Supports development of microenterprises, as defined by federal guidelines, through technical assistance or financial assistance.
7. Need for assistance to retain existing business;
8. Importance of assistance to attract out-of-state business; and
9. The project promotes or advances the green economy.

The assistance cannot meet solely 7. or 8.; other conditions must also be present.

Eligible Activities

RLF's may be used to fund a variety of business activities including:

1. Acquisition of land
2. Construction or rehabilitation of facilities
3. Site improvements
4. Utilities or infrastructure
5. Machinery and Equipment
6. Training
7. Working capital

Advance approval from DEED is necessary if the local government would like to provide financing for activities not listed above. Approval is more likely to occur in projects that relate to business development and involve other local government funds.

Ineligible Activities

In contrast to federal MIF funds, there are industry limitations on how state MIF RLFs may be used. State MIF RLFs may not be used for the operation, construction or expansion of a casino, a sport facility that that has a professional sports team as a principal tenant or any firm engaged in retailing merchandise. All assistance should follow the approved RLF guidelines. Please call your loan officer to discuss any prospective financing.

Wage Goals

Businesses receiving RLF-State MIF assistance must pay each employee total compensation, including benefits not mandated by law, that on an annualized basis is equal to at least 110 % of the federal poverty level for a family of four, which as of February 1, 2014 is \$12.61 per hour. Each year's compensation level changes and can be found on DEED's Business Finance MIF website.

Other Eligible Uses of the Funds

Minn. Stat. 116J.8731 allows local governments to loan or grant RLF funds to a regional development commission, other regional entities, or a certain statewide community capital funds to provide the local match required for capitalization of a regional or statewide RLF. Unlike federal MIF funds, state MIF funds held by local governments never lose their state identify and must follow all applicable laws and regulations.

The local government must request permission from the DEED before it can commit to providing funds to any of these organizations. The local government **does not** have the authority to turn over to another entity, such as Port Authority, Economic Development Authority, Housing Authority, etc. revolving loan funds for any purpose; these entities may administer MIF transactions provided the MIF grantee still maintains control over the RLF.

Conflict of Interest

Minn. Stat. 471.87 and 471.88 provide guidance on conflict of interest in a MIF transaction. An actual conflict of interest shall be deemed to exist when a decision on a MIF transaction would compromise a duty to another party or if special advantage is deemed to occur. Potential conflict of interests should also be considered.

Business Subsidy Law

As mentioned on page 1, Minn. Stat. 116J.993 and 116J.994 must be followed in the administration of RLF-State MIF. These sections pertain to the definition of a business subsidy, public purpose of the subsidy, criteria, subsidy agreements, wage and job goals, timing of the project, public notice and hearing requirements, failure to meet goals, and reporting of information regarding the outcomes of the subsidy.

Job Listing Requirements

Per Minn. Stat. 116L.66, a business that receives grants or loans in an amount greater than \$200,000 must agree to list any vacant or new positions related to the financial assistance on the MinnesotaWorks.net job bank website.

Prevailing Wage

Per Minn. Stat. 116J.871, laborers and mechanics at the project site during construction, installation, remodeling, and repairs must be paid the state prevailing wage if the financial assistance is greater than \$500,000 for a loan. All contracts for publicly owned infrastructure using the RLF must comply with the prevailing wage provisions.

Data Privacy

The provision of any information related to any applications for assistance is guided by Minn. Stat. 13.591, particularly Subd 1 and 2.

These operating guidelines provide a summary of how to administer revolving loan funds seeded with repayments from Minnesota Investment Fund loans. Specific transactions and RLF administration should be discussed with your DEED Senior Loan Officer. Other applicable state and federal laws and rules must also be followed.